

# EXHIBIT A



**IN THE CIRCUIT COURT OF JEFFERSON COUNTY, ALABAMA**

**THE BANK OF NEW YORK MELLON,**

**Plaintiff,**

**v.**

**JEFFERSON COUNTY, et al.,**

**Defendants.**

**CIVIL ACTION NUMBER:  
CV200902318**

**ANSWER**

Jefferson County, Alabama and the elected officials who serve on the Jefferson County Commission – Bettye Fine Collins, Bobby Humphries, Jim Carns, William Bell, and Shelia Smoot (collectively, the “Commission” and, with Jefferson County, Alabama, the “County”) – answer The Bank of New York Mellon’s complaint, by paragraph, as follows:

1. Admitted, except the County avers that some series of warrants during the referenced time period were issued to refund earlier series of warrants that had funded the referenced improvements to the sewer system.

2. The allegations in the first sentence are admitted. In response to the second sentence in paragraph 2, the County refers to the “granting clauses” in Section 2.1 of the Indenture governing the warrants and denies any allegations in this sentence inconsistent with that section of the Indenture.

3. Admitted.

4. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete

summary of what the Indenture “provides” and quotes the Indenture incompletely and out of context.

5. Admitted that the County’s payment obligations under the Warrants are insured by municipal bond insurance policies. Except as expressly admitted, any remaining allegations in this paragraph are denied.

6. Admitted that the County has not made certain payments of principal and interest on certain Warrants, but the County further avers that bond insurance purchased by the County at great expense has made all but one of the scheduled payments. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County’s sewer debt. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties, and that some of the other alleged defaults have been caused by other persons or entities not under the County’s control, and not before the Court. Except as expressly admitted, any remaining allegations in this paragraph are denied.

7. Admitted that volumetric sewer rates have not been raised since January 1, 2008, but the County avers that sewer rates would have to be raised to an unreasonable and unlawful level in order to meet the County’s current debt service requirements. Except as expressly admitted, any remaining allegations in this paragraph are denied.

8. Admitted, except the County denies that the powers the Trustee and the Bond Insurers sought for the receiver were limited as alleged in this paragraph.

9. The County refers to the federal court's opinion as the best evidence of its contents, admits that it was issued on June 12, 2009 and that the federal court held that 28 U.S.C. § 1342 deprived the federal court of jurisdiction to appoint a receiver with the power to directly or indirectly affect rates, but denies the remaining allegations of this paragraph on the ground that the paragraph provides an incomplete and inaccurate summary or characterization of what the opinion says and what the federal court held.

10. Admitted.

11. Denied.

12. Denied. The County further denies that the appointment of a receiver would be necessary to achieve the enumerated tasks.

13. Upon information and belief, admitted.

14. Admitted.

15. Admitted.

16. Admitted.

17. Admitted.

18. Admitted.

19. Admitted.

20. Admitted.

21. The County does not contest venue.

22. Admitted that the County was sued in 1993 for allegedly violating the Clean Water Act, and that a Consent Decree was entered on December 9, 1996. The terms of the Consent Decree speak for themselves. The remaining allegations in this paragraph are denied.

23. Admitted that from time to time between 1997 and 2003 the County issued certain series of warrants, and that the warrants were issued pursuant to the Trust Indenture dated as of February 1, 1997 between the County and AmSouth Bank of Alabama, and that AmSouth Bank of Alabama was the predecessor in interest to the current Indenture Trustee. Further admitted that Exhibit B to the Complaint purports to be a copy of the Trust Indenture. The allegations in the last sentence in this paragraph are also admitted. The remaining allegations in this paragraph are denied.

24. Admitted.

25. In response to this paragraph, the County refers to the “granting clauses” in Section 2.1 of the Indenture governing the warrants and denies any allegations in this paragraph inconsistent with that section of the Indenture.

26. Upon information and belief, admitted that this table contains the approximate amount of outstanding principal amount of the referenced warrants as of July 23, 2009.

27. Admitted.

28. The County did issue some fixed rate Warrants and approximately \$211 million in fixed rate Warrants are currently outstanding. The County's fixed rate issues are 1997-A, 2001 - A, 2003-A and 2003-B-8 with a combined total outstanding principal amount of \$211,905,000.

Upon information and belief, admitted.

29. Admitted.

30. Denied.

31. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that subparts A, B, and D of the paragraph consist of an incomplete summary of what the Indenture "provides" and quote the Indenture incompletely and out of context. The County admits that the Jefferson County Commission approved an amendment to the Sewer Use/Pretreatment Ordinance, originally dated May 11, 1982, and that subpart C of this paragraph contains an accurate quote from that amendment. The remaining allegations in this paragraph are denied.

32. Admitted, except that the County understood that its ability to raise rates was subject to the requirement under Alabama law that such rates be reasonable.

33. Admitted that the County has raised sewer rates on multiple occasions since 1997, and that the net revenues of the sewer system are not currently sufficient to service the County's debt service obligations. Except as expressly admitted, any remaining allegations in this paragraph are denied.

34. Denied.

35. Admitted, except for the last sentence, which is denied.

36. Denied, except for the allegations in the third sentence in this paragraph, which are admitted.

37. Admitted that the County retained BE&K, Inc. The report of BE&K speaks for itself. Except as expressly admitted, any remaining allegations in this paragraph are denied.

38. Denied.

39. Admitted that the portion of the table appearing in this paragraph of the Complaint that purports to show actual sewer rates is accurate. As to the portions of the table that purport to show numbers from Krebs, BE&K, and Red Oak, the County refers to the documents created by those entities as the best evidence of their contents and denies any allegations inconsistent with those documents. The remaining allegations in this paragraph are denied, including the allegation that the referenced entities “recommended” any particular rate charge irrespective of other changes in the cost of operating the sewer system or other changed circumstances.

40. Admitted that the County through its bond counsel at the Haskell Slaughter firm performed the referenced calculations, and that the results of the calculations are accurately stated in this paragraph. Except as expressly admitted, any remaining allegations in this paragraph are denied.

41. Admitted that versions of the County’s budget for fiscal year 2009 at one time contained an anticipated sewer rate increase of 2.65% and that volumetric sewer rates have not increased since January 1, 2008, but the County avers that sewer rates would have to be raised to

an unreasonable and unlawful level in order to meet the County's current debt service requirements. Except as expressly admitted, any remaining allegations in this paragraph are denied.

42. Admitted.

43. In response to the allegations in this paragraph, the County refers to the original Indenture and its subsequent indentures for each of the series of variable rate demand warrants, which fully describe the terms applicable to such warrants. Any allegations in this paragraph inconsistent with the terms of those indentures are denied.

44. In response to the allegations in this paragraph, the County refers to the Indenture and the Standby Warrant Purchase Agreements, the terms of which speak for themselves, and denies any allegations in this paragraph inconsistent with the words in those documents, used in context. The County admits that a document purporting to be a Standby Warrant Purchase Agreement among Jefferson County, Alabama, the Bank of New York, JPMorgan Chase Bank, and Societe Generale, New York Branch, dated as of May 1, 2003, is attached to the Complaint as Exhibit C. Any remaining allegations in this paragraph are denied.

45. In response to the allegations in this paragraph, the County refers to the Indenture and the Standby Warrant Purchase Agreements, the terms of which speak for themselves, and denies any allegations in this paragraph that inaccurately summarize those agreements.

46. Denied.

47. Admitted, except for warrants not held by the Liquidity Banks.



48. Generally, the County agrees with the statements in this paragraph, although the County avers that it does not tell the whole story. The allegations of the last sentence in this paragraph are admitted.

49. Admitted that the County has not made certain payments of principal and interest on certain Warrants, but the County avers that bond insurance purchased by the County at great expense has made all but one of the scheduled payments. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties, and that some of the other alleged defaults have been caused by other persons or entities not under the County's control, and not before the Court. Except as expressly admitted, any remaining allegations in this paragraph are denied.

50. Admitted, except the County avers that the referenced amount was covered by one or more of the County's bond insurance policies, by agreement.

51. Admitted, except the County avers that the referenced amount was covered by one or more of the County's bond insurance policies, by agreement.

52. Admitted, except the County avers that the referenced amount was covered by one or more of the County's bond insurance policies, by agreement.

53. Admitted, except the County avers that the referenced amount was covered by one or more of the County's bond insurance policies, by agreement.

54. Admitted, except the County avers that the referenced amount was covered by one or more of the County's bond insurance policies, by agreement.

55. Admitted, except the County avers that the referenced amount was covered by one or more of the County's bond insurance policies, by agreement.

56. Admitted, except the County avers that the referenced amount should have been covered by one or more of the County's bond insurance policies, by agreement.

57. Denied.

58. Denied.

59. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties. Any remaining allegations are denied.

60. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

61. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that, for a decade,

it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. The conduct of others, including the bond insurers, has made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level in order to do so. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties. Any remaining allegations are denied.

62. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

63. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. The conduct of others, including the bond insurers, has made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level in order to do so. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties. Any remaining allegations are denied.

64. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

65. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that, for a decade, it raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt, and complied in all other respects with the Rate Covenant. The conduct of others, including the bond insurers, has made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level in order to do so. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties. Any remaining allegations are denied.

66. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

67. The County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that, as of December 10, 2008, there was pending litigation between the County and the Trustee, and that the County's counsel communicated with the Trustee's counsel on December 10, 2008, regarding the subject of the determinations and calculations referenced in § 12.5(c) of the Indenture. Any remaining allegations are denied.

68. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

69. The County admits that no increase in volumetric sewer rates went into effect on January 1, 2009. In further response to this paragraph, the County refers to the Indenture as the best evidence of its contents, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties. Any remaining allegations are denied.

70. As to volumetric sewer rates, admitted.

71. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

72. The County refers to Section 11.1 of the Indenture, which speaks for itself, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties. Any remaining allegations are denied.

73. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

74. The County refers to Section 11.3 of the Indenture, which speaks for itself, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that, by

agreement and as permitted under the Indenture, it paid for insurance policies to be deposited into the Reserve Fund, and that the allegations in this paragraph are not the fault of the County, but have been caused by other persons or entities not under the County's control, and not before the Court. Any remaining allegations are denied.

75. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

76. The County refers to Section 11.11 of the Indenture, which speaks for itself, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete and out of context summary of one section of the Indenture. The County further avers that, by agreement and as permitted under the Indenture, it paid for insurance policies to be deposited into the Reserve Fund, and that the allegations in this paragraph are not the fault of the County, but have been caused by other persons or entities not under the County's control, and not before the Court. Any remaining allegations are denied.

77. This paragraph states a legal conclusion, to which no response is required. Any factual allegations in this paragraph are denied.

78. The County admits that it received letters from the Trustee, close in time to the date on the letters, alleging defaults under the Indenture and dated as of the dates in subparts A-E of this paragraph. The County further avers that during the entire period of time in which these letters were received, there was ongoing litigation between the County and the Trustee. Further admitted that Exhibits D-H to the Complaint purport to be copies of the letters the County received. Except as expressly admitted, any remaining allegations in this paragraph are denied.

79. Admitted that more than 30 days have passed since the delivery of each of the letters attached to the Complaint as Exhibits D-H. The remaining allegations in this paragraph state a legal conclusion to which no response is required. Any remaining allegations in this paragraph are denied.

80. The County refers to Section 13.2 of the Indenture, which speaks for itself, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete summary of one section of the Indenture and quotes the Indenture incompletely and out of context.

81. Admitted.

82. Admitted.

83. Admitted.

84. Admitted.

85. Admitted that for some issuances of warrants, the County would include a statement by Krebs in the Official Statement for the warrant issuance. The terms of the Krebs statement speak for themselves, and the reason for including it with the various Official Statements are reflected in the Official Statements, which also speak for themselves. Any remaining allegations in this paragraph are denied.

86. The County admits that Paul B. Krebs & Associates, Inc. delivered a report to a former County Commissioner in March 2003. The terms of this report speak for themselves, and the County denies any allegations in this paragraph that are inconsistent with the terms of the

report, in context, or which purport to characterize the report other than by quoting it, in context. Any remaining allegations in this paragraph are denied.

87. Admitted that the Indenture Trustee, FGIC, and Syncora sued the County and the Commissioners in federal court on or about September 16, 2008. The terms of the lawsuit brought by those parties speak for themselves. The County denies that the only remedy sought in that lawsuit was “a contractual remedy” as alleged in this paragraph, and denies that the powers the Trustee and the Bond Insurers sought for the receiver were limited as alleged in this paragraph. Any remaining allegations in this paragraph are denied.

88. Admitted.

89. Admitted.

90. Admitted.

91. The allegations in the first sentence are admitted. The County further admits that Exhibit I to the Complaint purports to be the Report submitted by Special Master Young, dated January 20, 2009.

92. The County refers to the Special Master report, which speaks for itself, and denies the allegations of this paragraph on the grounds that the paragraph contains an incomplete and inaccurate summary of the Special Master report, which can only be understood in its entirety and in context.

93. Admitted.



94. The County refers to the federal court's opinion, which speaks for itself, admits that it was issued on June 12, 2009, but denies the remaining allegations of this paragraph on the ground that the paragraph provides an incomplete and inaccurate summary or characterization of what the opinion says and what the federal court "concluded."

95. Admitted that the net sewer revenues are not currently sufficient to cover the County's sewer debt service, but the County further avers that sewer rates high enough to generate sufficient net revenues to cover debt service would be unreasonable and unlawful.

96. Denied.

97. The County denies that there is a "chairman of the Environmental Services Division." In further response to this paragraph, the County avers that the statements of any Commissioner can only be understood by quoting the Commissioner in full and in context, and denies any allegations in this paragraph inconsistent with any Commissioner's own words, in context.

98. Denied.

99. Admitted that the County Commission unanimously voted to suspend the operation of the automatic rate ordinance, which would otherwise have resulted in a sewer rate increase that would have taken effect on January 1, 2009. The remaining allegations in this paragraph are denied.

100. In response to this paragraph, the County avers that the statements of any Commissioner can only be understood by quoting the Commissioner in full and in context, and denies any allegations in this paragraph inconsistent with any Commissioner's own words, in

context. The County further avers that the Commissioners' statements are reflected in the transcript of the June 1, 2009, hearing in federal court, and not in Exhibit A to the Complaint.

101. Admitted that the County has established a \$12 per application private meter administration fee. Except as expressly admitted, any remaining allegations in this paragraph are denied.

102. Denied.

103. The County admits that, despite its best efforts, from time to time some customers receive sewer service but are not on the sewer billing system, and avers that it adds such customers to the billing system as they are discovered. Further admitted that the County has successfully recovered payments for up to a year's worth of unbilled sewer services from various commercial and residential accounts since May 2009. The referenced testimony of the director of the Environmental Services Department speaks for itself, and the County denies any allegations in this paragraph inconsistent with the director's own words, in context. Any remaining allegations in this paragraph, including the speculative allegations in the last sentence of this paragraph, are denied.

104. Admitted that Raftelis Financial Consultants delivered a draft report to the County's counsel and that the referenced quotation appears in the draft report although the County avers that, to be understood completely, the draft report must be quoted in context. Any remaining allegations in this paragraph are denied.

105. Admitted that a draft report prepared by Darrell Cline and containing recommendations regarding revenue enhancements was produced to the County's counsel in

October, 2008, during discovery in the federal lawsuit. Any remaining allegations in this paragraph are denied.

106. The County refers to the referenced draft report, which speaks for itself, and denies any allegations inconsistent with the draft report's words, in context. Any remaining allegations in this paragraph are denied.

107. The County admits that it passed a resolution on March 17, 2009. The resolution speaks for itself. The County denies any allegations in this paragraph that are inconsistent with the terms of the resolution, in context. The County further admits that as of June 1, 2009, it had not entered into a contract with Raftelis, but that such contract has been executed since that date. Any remaining allegations in this paragraph are denied.

108. The County refers to the federal court's opinion as the best evidence of its contents, admits that the March 17, 2009 resolution passed by a 3-2 margin, and admits that the quoted words appear in the federal court's opinion, but denies the remaining allegations of this paragraph on the ground that the paragraph provides an incomplete and inaccurate summary or characterization of what the opinion says and what the federal court determined.

109. Denied. For a decade, the County made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest.

110. Denied.

111. Admitted that the warrants at issue are limited-recourse debt, and that the net sewer revenues are currently inadequate to make payments of principal and interest on the sewer debt as they come due. Any remaining allegations in this paragraph are denied.

112. Denied.

113. Admitted.

114. Denied.

115. Admitted.

116. The County refers to Alabama Code § 11-28-6 for its contents, and denies any allegations in this paragraph that do not accurately quote the statute in context. All other allegations in this paragraph, including the allegations in the last sentence, are denied.

117. Admitted that some of the relief the Trustee seeks is equitable relief. All remaining allegations in this paragraph are denied.

118. The County denies that the provisions of § 6-5-20 have been satisfied by virtue of the facts alleged in subparagraphs (a) and (b).

119. The County admits that the Trustee presented its claims to the County, for the first time, on July 24, 2009. The remaining allegations in this paragraph are denied.

120. Upon information and belief, admitted.

121. The County refers to the FGIC policies, which speak for themselves, as the best evidence of their contents and denies any allegations in this paragraph that incompletely or inaccurately summarize those policies.

122. Admitted.

123. The County refers to the FGIC DSR policies, which speak for themselves, as the best evidence of their contents and denies any allegations in this paragraph that incompletely or inaccurately summarize those policies.

124. Upon information and belief, admitted.

125. The County refers to the Syncora policies, which speak for themselves, and denies any allegations in this paragraph that incompletely or inaccurately summarize those policies.

126. Admitted.

127. The County refers to the Syncora DSR policy, which speaks for itself, as the best evidence of its contents and denies any allegations in this paragraph that incompletely or inaccurately summarize that policy.

128. Upon information and belief, admitted.

129. The County refers to the FSA policies, which speak for themselves, as the best evidence of their contents and denies any allegations in this paragraph that incompletely or inaccurately summarize those policies.

130. Admitted.

131. The County refers to the FSA DSR policy, which speaks for itself, and denies any allegations in this paragraph that incompletely or inaccurately summarize that policy.

132. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

133. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

134. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

135. Denied.

136. The first sentence of this paragraph contains a legal conclusion to which no response is required. The County refers to Section 17.3 of the Indenture, which speaks for itself, and denies the allegations of this paragraph on the ground that the paragraph provides an incomplete summary of what the Indenture “provides.” Any remaining allegations in this paragraph are similarly denied.

137. Upon information and belief, admitted.

138. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

139. Upon information and belief, admitted.

140. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of this paragraph. The County admits that it has

not paid the amount referenced in this paragraph. The allegations in the last sentence of this paragraph are admitted upon information and belief. Except as expressly admitted, the remaining allegations in this paragraph are denied.

141. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

142. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

143. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

144. The allegations in the first sentence are admitted, upon information and belief. The County is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations in this paragraph.

145. The County realleges and incorporates by reference herein as if set forth here in full its responses to the preceding paragraphs of the Complaint.

146. Denied. Further responding to this paragraph, the County avers that under current circumstances, one or more of the provisions or remedies called for in the Indenture may lead to a violation of applicable law or may contravene the Alabama Constitution.

147. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

148. The County is without knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph.

149. The County refers to Section 13.2(c) of the Indenture, the terms of which speak for themselves, and denies any allegations in this paragraph inconsistent with the terms of that section, quoted completely and in context.

150. Denied as phrased. Further responding to these allegations, the County recognizes that since June 2008 it has not made certain payments of principal and interest on certain Warrants, but the County further avers that bond insurance purchased by the County at great expense has made all but one of the scheduled payments. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties, and that some of the other alleged defaults have been caused by other persons or entities not under the County's control, and not before the Court. Except as expressly admitted, any remaining allegations in this paragraph are denied.

151. Denied.

152. The County realleges and incorporates by reference herein as if set forth here in full its responses to the preceding paragraphs of the Complaint.



153. Denied.

154. The allegations in the first sentence of this paragraph are admitted. Section 11-28-3 of the Alabama Code speaks for itself. Any remaining allegations in this paragraph are denied.

155. This paragraph contains a legal argument to which no response is required; any factual allegations against the County in this paragraph are denied.

156. The allegations in this paragraph inaccurately and incompletely summarize the Indenture and the County refers to the Indenture for what the Indenture “provides.” Any remaining allegations in this paragraph are denied.

157. This paragraph contains a legal argument to which no response is required, and the County refers to the Section 6-6-620 of the Alabama Code, which speaks for itself, for its contents. Any factual allegations against the County in this paragraph are denied.

158. Denied.

159. This paragraph contains a legal argument to which no response is required, but the County denies that the referenced statute, which applies to bonds, has any applicability to this case. Any factual allegations against the County in this paragraph are denied.

160. This paragraph contains a legal argument to which no response is required, but the County denies that the referenced statute, which applies to bonds, has any applicability to this case. Any factual allegations against the County in this paragraph are denied.

161. Denied as phrased, except to admit that the warrants were issued pursuant to Alabama law, specifically Title 11, Chapter 28 of the Alabama Code. Further responding to these allegations, the County recognizes that since June of 2008 the County has not made certain payments of principal and interest on certain Warrants. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties, and that some of the other alleged defaults have been caused by other persons or entities not under the County's control, and not before the Court. Except as expressly admitted, any remaining allegations in this paragraph are denied.

162. Denied.

163. The County realleges and incorporates by reference herein as if set forth here in full its responses to the preceding paragraphs of the Complaint.

164. Any factual allegations in this paragraph against the County, or any of the Commissioners, is denied.

165. The allegations in this paragraph purport to quote from Section 12.5 of the Indenture, the terms of which speak for themselves. The County denies any allegations in the

paragraph inconsistent with the terms of Section 12.5 of the Indenture, quoted fully and in context.

166. Denied.

167. Denied as phrased. Further responding to this paragraph, the County recognizes that since June of 2008 it has not made certain payments of principal and interest on certain Warrants, but the County further avers that bond insurance purchased by the County at great expense has made all but one of the scheduled payments. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt, and complied in all other respects with the Rate Covenant. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties, and that some of the other alleged defaults have been caused by other persons or entities not under the County's control, and not before the Court. Except as expressly admitted, any remaining allegations in this paragraph are denied.

168. The terms of Section 13.2(b) of the Indenture speak for themselves. The allegations in this paragraph are denied.

169. Denied.

170. The County realleges and incorporates by reference herein as if set forth here in full its responses to the preceding paragraphs of the Complaint.

171. Denied as phrased. Further responding to this paragraph, the County recognizes that since June of 2008 it has not made certain payments of principal and interest on certain Warrants, but the County further avers that bond insurance purchased by the County at great expense has made all but one of the scheduled payments. The County further avers that, for a decade, it made each and every payment of principal and interest on the warrants when due, and raised sewer rates and otherwise operated the sewer system so as to generate net revenues sufficient to service the County's sewer debt. Only after the conduct of others, including the bond insurers, made servicing the debt impossible because sewer rates would have to be raised to an unreasonable and unlawful level did the County fail to make a scheduled payment of principal and interest. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties, and that some of the other alleged defaults have been caused by other persons or entities not under the County's control, and not before the Court. Except as expressly admitted, any remaining allegations in this paragraph are denied.

172. The terms of Section 13.2(b) of the Indenture speak for themselves. The allegations in this paragraph are denied.

173. Denied.

174. Denied.

175. Denied.

176. The County realleges and incorporates by reference herein as if set forth here in full its responses to the preceding paragraphs of the Complaint.

177. Admitted, except the County avers that the on each date other than July 1, 2009, the amount due was covered by one or more of the County's bond insurance policies, by agreement

178. Denied.

179. The County denies that the Trustee is entitled to a judgment against the County in the amount demanded in this paragraph, or to any judgment whatsoever.

180. The County realleges and incorporates by reference herein as if set forth here in full its responses to the preceding paragraphs of the Complaint.

181. The terms of Section 11.1 of the Indenture speak for themselves. The allegations in this paragraph are denied. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties.

182. The terms of Section 11.1 of the Indenture speak for themselves. The allegations in this paragraph are denied. The County further avers that it is paying to the Trustee the net revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties.

183. The terms of Section 11.1 of the Indenture speak for themselves. The allegations in this paragraph are denied. The County further avers that it is paying to the Trustee the net

revenues of the sewer system, less a cash balance approved by the Special Masters in the federal litigation between the parties.

184. Denied.

185. Denied.

186. The County denies that “fraud, corruption and bribery” are currently “rampant in the System” although the County acknowledges that certain individuals have been found guilty of criminal behavior in connection with work on the sewer system and certain financing transactions entered into by the County.

187. Denied.

188. Denied.

The County denies that the Trustee is entitled to the relief requested in this paragraph, or to any relief whatsoever.

Except as expressly admitted herein, any remaining allegations in the Complaint are denied, as are any allegations in the headings contained in the Complaint.

Without assuming any burden of pleading or proof otherwise resting on plaintiffs, the County asserts the following defenses:

#### **FIRST DEFENSE**

The Complaint fails to state a claim upon which relief can be granted.

## **SECOND DEFENSE**

Plaintiff's claims are barred, in whole or in part, by Ala. Code § 6-5-440.

## **THIRD DEFENSE**

The Plaintiffs' claims are barred, in whole or in part, by the equitable defense of unclean hands.

## **FOURTH DEFENSE**

Plaintiffs' claims are barred, in whole or in part, because the County has performed its obligations under applicable law.

## **FIFTH DEFENSE**

The wrongs of which Plaintiff complains were caused in whole or in part by others, including one or more of the warrant holders Plaintiff purports to represent, and not by these Defendants.

## **SIXTH DEFENSE**

Mandamus is not an appropriate remedy in this case, and cannot be used to compel Defendants to perform a discretionary function.

## **SEVENTH DEFENSE**

Plaintiff has failed to comply with the statutory prerequisites to bringing this lawsuit.

## **EIGHTH DEFENSE**

Some or all of the relief Plaintiff seeks would violate the Alabama Constitution.

**NINTH DEFENSE**

Jefferson County is remitting to the Trustee for debt service the net revenues of the sewer system, less an appropriate cash balance endorsed by the Special Masters in the Federal Lawsuit.

**TENTH DEFENSE**

Plaintiff's claims are barred by Ala. Code § 11-12-8.

**ELEVENTH DEFENSE**

Some or all of the relief Plaintiff seeks would violate Alabama law.

**TWELFTH DEFENSE**

The warrants at issue are not general obligations of the County, and therefore any claim for a judgment against any County funds other than those specifically pledged in the Indenture is barred.

Discovery has not yet commenced, and Defendants reserve the right to amend or modify this answer and to add other, further, and additional defenses as may be appropriate.

Respectfully submitted this 14th day of January, 2010.

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s/ Joseph B. Mays, Jr.  
One of the Attorneys for Defendants

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CERTIFICATE OF SERVICE

I hereby certify that on January 14, 2010, I electronically filed the foregoing with the Clerk of the Court using the AlaFile system which will send notification of such filing to the following:

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\_\_\_\_\_  
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